Recommendations by Americans For Financial Reform Coalition
for Treasury Department Implementation of
the Homeowner Assistance Fund
March 17, 2021

Implementation of the Homeowner Assistance Fund should:

- prioritize equity for the hardest hit homeowners and communities, especially in communities of color;
- promote broad access with a streamlined application process for homeowner applicants; and
- boost successful outcomes by reaching the neediest homeowners through integration with community-based not-for-profit partners.

Treasury should issue guidance setting out the key program parameters for how states may use the HAF funds should they elect to claim them. This should include program principles, including racial equity, basic eligibility rules, and a framework for outreach and implementation, including reporting. As with the rental assistance guidelines, Treasury should be clear regarding the mandatory nature of essential program rules as well as places where certain practices may be permitted. In addition, to maximize available funds for intended recipients, Treasury should establish a maximum percentage of funds allowed by to be used by grantees for administrative costs, such as 10%.

1. Promote racial equity for the hardest hit homeowners and communities.

a. Treasury should implement the racial equity targeting requirements of the bill by setting out how the states or territories and their local partners should target the up to 40% of funds that must be prioritized for socially disadvantaged populations.
    i. This would include defining "socially disadvantaged," in a way that mirrors how it has been used by other agencies, including by SBA[1], DOT and USDA, but adapting it to the housing context by limiting relief to struggling homeowners up to 120% AMI.[2] The definition must be constructed in a manner that is neither over- nor under-inclusive.

[1] See 13 C.F.R. § 124.103
[2] The definition could read as follows, "The term "socially disadvantaged individual" means an individual who is a member of a socially disadvantaged group whose members have been subjected to racial or ethnic prejudice within American society because of their identity as members of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There shall be a rebuttable presumption that

ii. While the statute provides that this targeting requirement can be allocated for up to 40% of the targeted funds, Treasury should set a minimum allocation. We recommend that minimum be set at 30% of the overall funds allocated to each state, which could be adjusted, as appropriate, based on the calculation described in iii, below.

iii. In addition, Treasury should establish a method by which each state should determine the percentage of funds, above the minimum allocation set by Treasury, as applicable, to be targeted to socially disadvantaged people. This method could be based on the percentage of homeowners in the state who are presumed to be socially disadvantaged, or on other relevant data that may be available to Treasury. Any data used for this purpose should be made available to the public.

iv. Consistent with the President's executive order on racial equity[3] and presidential memorandum on fair housing[4], Treasury should set an expectation that all funds, regardless of the method by which they are targeted, should be distributed in an equitable manner to homeowners based on race, national origin and geographic location. It should monitor each state's performance in meeting this expectation and intervene, when necessary, to assist states whose performance is significantly off-target to adjust their program design and implementation to enable better alignment with this goal.

v. In its program materials, Treasury should describe the government's compelling interest in targeting a portion of the program funding to socially disadvantaged people, as described in Congresswoman Waters' extension of remarks on the HAF provisions of ARP, as the loss of wealth and homeownership among people of color in the Great Recession, and as documented elsewhere. This is an important step in demonstrating the constitutionality of this program.

b. To ensure that states are implementing the program in a manner consistent with statutory intent, Treasury should require grantees to collect and report the following data both quarterly and for the life of the program (taken from HR 7301):

i. the amount of funds allocated;

ii. the amount of funds disbursed;

iii. the number of households and individuals assisted;

iv. the acceptance rate of applicants;

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individuals identifying as Black, Hispanic, Native American, and/or Asian American, or a combination thereof, are socially disadvantaged. The presumption of social disadvantage may be rebutted with credible evidence to the contrary. Other individuals may also demonstrate that they are socially disadvantaged by a preponderance of the evidence. Further, a "socially disadvantaged individual" is someone who also has household income no greater than 120% of the median income for the area in which the individual resides, adjusted for household size."

[3] https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/

[4] https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/26/memorandum-on-redressing-our-nations-and-the-federal-governments-history-of-discriminatory-housing-practices-and-policies/

v. the type or types of assistance provided to each household;
vi. the average amount of assistance provided per household receiving assistance;
vii. the average length of assistance provided per household receiving assistance;
viii. the income ranges of households for each household receiving assistance;
ix. the outcome 12 months after the household has received assistance;
x. the number of households that applied for assistance and were denied, including number of application denials disaggregated by the reason cited for denial.

Reports must disaggregate the above information by census tract, gender, applicant(s) race and ethnicity, service member status, and the preferred language of the applicant/co-applicants (the latter should be collected at the time of application using the language of the question developed by FHFA for use on the URLA). In addition, reports must indicate whether funds were provided pursuant to the portion allotted based on median income or based on access for socially disadvantaged communities.

c. Treasury should make public, on a quarterly basis and in a format that is readily accessible, reports sharing aggregated data at the state and local level, including demographic information and types of assistance provided as well as all variables collected (such as those listed in subsection (b)). Treasury also should make raw data available to the public to enable additional analysis of the program's impacts. Substantial inaccuracies or blank fields in reporting should be addressed early on to ensure the usefulness and integrity of the data set.
d. Treasury should translate key program guidelines as well as a standardized, mandated application form into the top five LEP languages, make these templates available to the grantees, and require grantees to use them with LEP applicants. Grantees also should be required to ensure that any entity handling applications for assistance provides oral interpretation through a language line or bilingual employees that have received training in the requirements of the program. (adapted from HR 7301).

2. Establish a streamlined application process, with a standardized application, and basic eligibility rules to create a simple and straightforward process for homeowners to access needed help.

a. Create a standardized application in English and the top LEP languages and mandate its use by grantees. This will speed the roll-out of programs and improve language access.
b. Disallow states from adding individual household eligibility requirements in addition to what the Homeowner Assistance Fund statutory language and Treasury guidance require.
    i. Unlike HHF, do not permit states and territories to disqualify applicants based on credit score, bankruptcy filings, previous cash-out refinance, or other unnecessary barriers to equitable access.

ii. Clarify that land contract buyers, manufactured housing owners, community land trust, condominium, and co-operative owners are eligible, based on the broad definition of "mortgage" in the bill.
iii. State clearly that reverse mortgage borrowers and spouses (all covered by the "mortgage" definition) can use funds to cure property charge defaults (already listed as an eligible use in the bill), and set out procedures for the reverse mortgage property charge payoffs.
iv. Clarify that funds can be used to provide assistance to homeowners who need help with housing related expenses as stated in the authorizing language, including property taxes, homeowners insurance, or homeowner or condominium association fees, to avoid foreclosure or post-foreclosure eviction and maintain homeownership, regardless of whether they have a mortgage.
v. Emphasize the importance of making funds available to homeowners with private mortgage loans, those ineligible for repayment options for government-backed loans, those who need financial assistance to qualify for such programs, or those who face foreclosure because of taxes, HOA fees, or other related homeownership costs.
vi. Grantees should be required to accept a homeowner's self-attestation for eligibility based on hardship.

c. Allow self-attestation that the homeowner suffered a COVID-19 hardship without additional proof or documentation. As per recent research from JP Morgan Chase, this approach has been efficient and has created broad access.
    i. The statute requires homeowners to be experiencing financial hardship after January 21, 2020. Treasury guidance should clarify that a homeowner satisfies this requirement if the homeowner self-attests that the household experienced a financial hardship any time after January 21, 2020, including hardships that began before but continued after this date. This recognizes the reality that homeowners' hardships may have been compounded by COVID-19.
d. If documentation must be requested of the homeowner, set broad, non-exhaustive lists that establish the kinds of documentation homeowners may provide, any one of which is sufficient.
e. Recoverable Grants
    i. Grantees should be permitted to structure assistance as a recoverable grant only if repayment is deferred (due on sale or refinance) and forgivable within a set period time, or if repayment is sustainably structured as part of a pre-existing homeowner assistance program. Require grantees to re-use repaid assistance for homeownership programs, including foreclosure prevention assistance.
    ii. If assistance is structured as a secured recoverable grant, grantees should not require applicants to prove insurable lien priority or insurable title; grantees should accept whatever security interest an eligible owner is able to convey at

time of qualification. This will ease access for heirs' properties, divorcees, or those with unprobated estates while providing adequate protection for the grantee housing finance agency.

f. Refreshing documents: Permit homeowner documentation to be considered "current" if it was less than 90 days old at time of submission, without requiring resubmission by homeowner if delays occur in processing of applications.
g. E-Signing: Enable and encourage usage of e-signatures for all documentation requirements, provided the homeowner has a properly verified email account and electronic access in compliance with E-Sign requirements.
h. Income:
    i. For purposes of establishing an applicant's AMI, applicants should be permitted to rely on either their 2020 income (using a tax return or tax transcript) or proof of their income over the past two months.
    ii. Where supporting documentation is necessary, for example for income, grantees should acquire the documentation from other government agencies before requiring the homeowner to produce it. This should include but not be limited to permitting grantees to rely on a determination from another local, state, or federal government assistance programs as to an applicant's household income if established after January 1, 2020.
    iii. We support using these Treasury-approved ERAP income verification procedures for HAF:
        1. Allow homeowners to establish their income through paystubs, W-2s or other wage statements, tax filings, bank statements demonstrating regular income, or an attestation from an employer, and permit grantees to rely on a written attestation from the applicant without further documentation of household income to accommodate disabilities, extenuating circumstances related to the pandemic, or a lack of technological access.
        2. To the extent that a household's income, or a portion thereof, is not verifiable due to the impact of COVID-19 (for example, because a place of employment has closed) or has been received in cash, or if the household has no qualifying income, grantees may accept a written attestation from the applicant regarding household income.
        3. Permit grantees to rely on an attestation from a caseworker or other professional with knowledge of a household's circumstances to certify that an applicant's household income qualifies for assistance.

3. Integrate not-for-profit housing counseling, legal services providers, and certain CDFIs to ensure assistance reaches those most in need.

a. Treasury should permit and encourage grantees to integrate local not-for-profit providers including HUD-approved housing counseling agencies, legal services providers, and certain CDFIs into the implementation of local programs given that such partnerships made HHF and similar programs much more effective. Grantees should be permitted to delegate the operation of the program for a certain geographic area to these entities or to sub-contract with them to perform outreach, submit or process applications, disburse grant or loan assistance, or provide financial counseling and foreclosure prevention counseling. This may be done through subawards or contracts with these organizations.
b. Specifically, Treasury should strongly encourage the use, through subawards or contracts, of housing counseling agencies and legal services providers as the means of intake for the program. This will encourage homeowners to also take full advantage of the loss mitigation options available from their loan servicer while also benefitting from the Homeowner Assistance Fund, which in turn could help the HAF funds go further. It will also encourage financial capability and budget counseling opportunities for homeowners emerging from hardships.
c. Strongly encourage expansive, multilingual outreach through community-based organizations. A model outreach plan for grantees is attached.
d. Treasury should coordinate with the CFPB and federal housing agencies to conduct national outreach, including engaging loan servicers in conducting outreach to borrowers to help spread awareness of the Homeowner Assistance Fund programs available to them and refer homeowners to housing counseling for help accessing assistance.

APPENDIX - MODEL OUTREACH PLAN (to be implemented in English and in the top LEP languages)

1. Grantee shall use English-language and translated program summaries and applications provided by Treasury for outreach and direct communication with applicants by the grantee or servicer. In addition to information on the Homeowner Assistance Fund, program materials shall also include information and links to information about forbearance and loss mitigation options and how to get assistance from HUD-approved housing counseling agencies. Grantee shall ensure that any entity handling applications for assistance provides oral interpretation for LEP consumers through a language line or bilingual employees.

2. Grantee shall create and enact a marketing plan, to be done in-house or by contract with one or more organizations with a proven record of reaching communities of color and low-income people, and populations with limited English proficiency. The Plan shall include:
   a. Paid advertisements including radio, television, and newspapers in English and in the top LEP languages in the state or in major metropolitan areas;
   b. Earned media including daily and weekly newspapers;
   c. Public service announcements (including for community cable television stations);
   d. Digital outreach including social media, search engine/ad words, and other web-based strategies.

3. Grantee shall coordinate with state unemployment agency to establish a plan for disseminating program summaries and applications in English and the top LEP languages to current and prior unemployment benefits recipients.

4. Grantee shall provide outreach grants to community-based organizations with a record of serving communities of color and low-income populations, including LEP individuals. Community organization outreach shall be implemented through digital outreach, direct outreach and fliers in English and in the top LEP languages, through, e.g.:

   a. Digital and Social Media outreach;
   b. Door to door canvassing;
   c. Mailings to homeowners using property tax databases to identify potential tax foreclosures;
   d. Outreach through faith-based institutions and networks;
   e. Fliers at places of business (e.g. home hardware stores);
   f. Establishment of "first referrer" partners, such as by training local elected officials, faith-based networks, and social and philanthropic partners to refer homeowners to assistance.

5. Grantee shall establish an advisory committee to consult on its outreach plan. Participation shall include representatives of non-profit legal services providers serving distressed homeowners, HUD-approved housing counseling agencies, CDFI's with a record servicing

communities of color and low-income communities, and other community groups representative of the program's target population.

6. Grantee shall set up and publicize a hotline for homeowners to call to get information on the program and be referred to program staff and HUD-approved housing counseling agencies. The hotline may also connect homeowners to assistance with forbearance and loss mitigation. The hotline must provide access for LEP individuals.